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# Branch Banks and Foreign Trade

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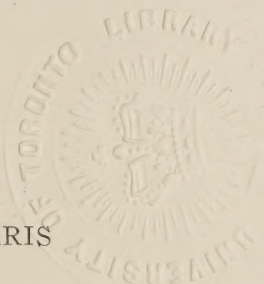


# Branch Banks and Foreign Trade

BEVERLY D. HARRIS

Vice-President

The National City Bank  
of New York



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ADDRESS

BEFORE

American Cotton Manufacturers Association  
Atlanta, Georgia  
April, 1916



## Branch Banks and Foreign Trade

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I have come over here today in response to your kind invitation, rather more to have the pleasure and privilege of meeting the members of your important organization, and to extend to you individually and collectively assurance upon the part of the institution which I have the honor to represent, of our desire to coöperate with you to the fullest extent, and to invite you to use freely the facilities, which we may be able to furnish, in the extension of your foreign trade, than in the hope of even measurably covering in the scope of this address, with thoroughness, the many large and different problems of export trade development opened up by a discussion of the subject which you have assigned to me, and a comprehension of which is necessarily involved in the consideration of our present branch bank undertakings and foreign trade activities.

Permit me to assure you very cordially, of our appreciation of the compliment and of the satisfaction which we feel in this evidence that your energies are being directed toward the serious study of the opportunities, as well as the responsibilities, of this country, in an international sense, in this extraordinary epoch of time.

We do not know, nor is it possible to forecast with any degree of finality or accuracy, the political, economic, commercial and financial consequences of immeasurably the greatest war in all history, now



raging in Europe; what geographical changes may result or where the world's balance of power may finally rest; what political or trade combinations, treaties and tariffs, may exist in the future; what new channels of trade may be opened up among the nations of the world; or in methods of production and distribution, what competitive conditions we may encounter later.

One thing I think I may safely say, however, is that from any point of view it is evident that this country, through force of circumstances, has been projected into a position—whether we seek it or not—of the most far-reaching importance in the affairs of the world, from now on. Great opportunities, great responsibilities, and possible dangers, lie ahead of us. Very properly under existing conditions the attention of the country is focused upon the need for military preparedness. Of equal importance is commercial preparedness, industrial and economic organization, and a close study of international relationships of the future. It is a time for international thinking; statesmanship in the largest sense of the word; firm policies of government; advanced thought and competent leadership in all departments—financial, industrial, commercial, as well as political. As to how far we will control the situation ahead or the situation will control us, depends to the greatest extent upon the wisdom and farsightedness of the nation in meeting the impending problems of the future.

It would not be within the scope or province of this address to attempt to discuss the economic conditions which for a considerable period of time prior to the present situation caused by the events of the European war, made it apparent that if this country is to continue to grow in population, wealth and influence, and

occupy the position as a world power which its vast wealth, resources, productiveness and natural advantages of location should command, it must inevitably extend its foreign commerce. Thoughtful students of these problems have come to realize that our capacity for production has been fast increasing beyond local consumption; that our national prosperity depends upon the expansion, development and prosperity of our manufacturing industries; that in order to keep our industrial organizations fully employed at the highest degree of efficiency and on a profitable basis, it has become increasingly necessary to seek foreign markets. There has been a growing realization that we have in recent years been going through a period of change; that we are passing from the period when as an undeveloped country our energies were closely concentrated to the development of our own resources. We have arrived at a point of advanced development and a position where, looking to the future, our national welfare will increasingly require new outlets for our manufactures in other countries less developed. Profiting by the lessons of history, we cannot escape the conclusion that the commercial greatness of a country is the measure of its prosperity, power, and influence; that the nation which is able to utilize its natural resources and manufacture its raw materials into finished products of high commercial value, with economy, efficiency and full employment to labor, and technical skill in production, is establishing the surest permanent foundation of national wealth and prosperity. The balance of trade through exports protects our gold supply, makes us a creditor nation, and where the value of the exports represents largely skill in manufactures, the process is building up the country's national wealth in contradistinction to the export of raw commodities, which bring in a return at



the expense of a drain on the country's natural resources.

When we export a bushel of wheat, it carries with it twenty-seven cents' worth of phosphorus; a bushel of corn fifteen cents' worth; a pound of cotton three cents' worth. This is capitalizing our soil fertility at the expense of our ultimate resources.

I was interested in the comment made by a German professor some time ago that as an economic proposition, it is not sound policy, generally speaking, to produce in large quantities and beyond home needs for export, agricultural products which rapidly exhaust the fertility of the soil, but rather to devote more attention to such industries as, for instance, cultivation of sugar beets and the systematic diversification of the soil with legumes, enriching rather than impoverishing it. He argued that the production of beet sugar in export quantities was economically a more sound and profitable proposition, and that exports which drain the country's natural resources had better be left to countries backward in their industrial development. We have not yet arrived at the point, as we shall at some time in the future, when, with the increase in our population and the gradual exhaustion of soil fertility, conservation of the soil will be equally important with us as with the older nations.

For the fiscal year 1914, which ended just before the beginning of the war and therefore during the period of normal conditions—of the total of our exports, 18% was of foodstuffs, as against 44% in 1894, whereas manufactured products formed 47% of our exports, as against 23% in 1894. The value of the products of our factories increased 81% from 1890 to 1910, and the number of persons employed in the United States in manufacturing and mechanical pur-



suits increased 90% in the period 1890 to 1910, while the number of persons engaged in agricultural pursuits increased but 37% in the same period. This indicates a tendency in the right direction, which national policies should foster and encourage.

Few of us realize fully the tremendous potential resources and energies of this country. Few of us fully comprehend the tremendous domestic and foreign commerce to which the United States has already attained. The total estimated value of the domestic and foreign commerce of the United States for 1914 is approximately forty-four billions of dollars. This means all merchandise sold once and at wholesale prices. Of this total approximately twenty billion is represented by manufactures. But while our manufacturing capacity, as the above figures indicate, has so greatly increased, and billions of dollars of new capital have been employed in manufacturing lines in recent years, figures on our foreign commerce are not proportionate and are disappointing. Out of a total of forty-four billions of dollars in the year mentioned, our imports consisted of \$1,894,000,000, and our exports \$2,329,000,000, a total of \$4,223,000,000, or less than 10 % of our total commerce. Of the exports of domestic products, crude material for foreign manufacture form 34%, foodstuffs 18.5%, manufactures 47.2%. From this it will be seen our exports are not as large as they should be, and that they have been in too large proportion of crude or semi-crude material, with comparatively little labor in it, as for instance, copper and iron, in pigs and bars, raw cotton and the like, rather than in manufactures representing the value of skilled labor and better profits in the selling price.

“We sell cotton at twelve cents a pound, with hardly any labor in it—we buy it back from the thrifty Swiss at \$40 a pound, in fine handkerchiefs—all labor.” Of course it is only proper to say our labor conditions have not been those of Europe, and that as a practical proposition many comparisons of this character might be regarded as extreme, but in theory and principle, and so far as may be capable of demonstration that our forces may be organized to successfully meet foreign competition and foreign markets, the large and outstanding considerations at the present time are—that our continued welfare is largely concerned in the scientific development of our manufacturing and industrial resources, and in the extension of our foreign commerce, and particularly the sale of manufactured goods. It is not sufficient that we are above all other nations favored with great natural advantages of location and materials—water-power, fuel, capital. In organization, efficiency, economy of production, cheap labor, cost of living, in the lack of mercantile marine, the unfavorable operation of some of our laws, and in other respects, we find ourselves under serious disadvantages; and among the most serious disadvantages under which we have labored in the past has been a less efficient financial, banking and credit system, in comparison with other great nations. It was providential that the Federal Reserve Banking System came into being when it did, for while it cannot yet be regarded as perfect in all respects and in the process of time will undoubtedly be changed, elaborated and modified in various respects, the basis is there for a system suitable to our needs, and it has so far afforded us a degree of safety and protection which has been invaluable under the extraordinary conditions following the outbreak of hostilities in



Europe, and it has given us a means of extending our banking operations into foreign lands, without which our foreign commerce would always have been under the most serious handicap.

As soon as it was possible under our laws to do so, the National City Bank devoted the energies of its organization actively to a comprehensive plan having in view the organization of branch banks at principal points throughout the world, and with a view to making these branches not merely a source of profit to itself, and a convenience in furthering routine business under existing conditions, but with the larger and more comprehensive object of furnishing to all legitimate American interests a valuable service, as a forerunner and explorer in the development of our foreign trade. Our attention was first directed to South and Central America and to the Orient as the most promising fields for new business and at the present time we have in active operation direct branches at

Buenos Aires, Argentina	Montevideo, Uruguay
Rio de Janeiro, Brazil	Santos, Brazil
Sao Paulo, Brazil	Havana, Cuba

and through purchase of the control of the International Banking Corporation by National City Bank interests, branches of the latter at

Bombay	Manila	Singapore
Colon	Shanghai	Cebu
London	Canton	Tientsin
Calcutta	Hong Kong	Kobe
Hankow	Panama	Peking
	Yokohama	

Recognizing the probabilities in the future of largely increased trade relations with Russia, we have also or-

ganized a Russian Division with agencies in London and Petrograd.

Additional branches will be established as expedient, and as circumstances permit, at other important points in the same general territory, throughout Europe, and in other parts of the world where American commerce may be extended.

Furthering the plan outlined, we have established a foreign trade department, and for this purpose we have enlisted on the staff of this department trade experts who will undertake to study in a thorough and comprehensive manner the opportunities in foreign markets. This department will devote its energies also to analysis of methods of production and sale, conditions of competition which must be met, and to the determination of all those things which may exist as impediments to our trade. This department, working in close concert with manufacturing experts, is qualified to furnish to manufacturers valuable suggestions and practical aid in connection with the problems of their export business. Trade experts from this department have been sent out to points where branches have been established for the purpose of making a close study of conditions. A special magazine, "The Americas," has been established, and is being maintained, devoted to commercial education and the promotion of commerce and good will between the nations of the Americas. An important feature of the publication is a list of special trade opportunities. This magazine is circulated without charge to customers and friends of the bank. In the course of the progress of this work, several of our officers have given to the public, through the medium of addresses and specially prepared articles for public circulation, the benefit of their investigations, study, and thought upon the development of our foreign trade.



Through the medium of our foreign branches it is designed to furnish a comprehensive commercial service, and through this agency to furnish to American manufacturers personal and confidential representation. Under these plans credit bureaus will be maintained under the direction of experienced credit men having charge of the credit investigations of each branch. Credit information as it is compiled will be sent in duplicate to the New York Office, which, through this means, within a reasonable time, will be in a position to furnish reliable credit information to American manufacturers. Having the auxiliary organization mentioned, the branch banks are also prepared to do active trade promotion work in the interests of our manufacturers, and to cultivate personal acquaintances among the business men of the countries in which they are located, so they will be in a position to give to American salesmen the personal introductions which are so valuable in foreign countries, and in Latin countries in particular. They will investigate the possibilities of the markets for particular products, reporting the prices at which same can be sold; cost of delivery to the market; supply on hand; manner in which the goods must be prepared and packed for the market; finish and quality desired; and samples of their foreign competitor's goods will be obtained and furnished upon request.

Through the foreign trade department manufacturers may obtain also information regarding the customs regulations and laws of various countries, and assistance in securing representatives abroad. On the other hand, this department publishes a trade directory of American firms written in foreign languages for circulation in foreign lands, and answers foreign inquiries concerning the standing and responsibility of American firms, and furnishes information on the character of

their products or merchandise, and our methods of sale and reimbursement.

Through these branches we issue Letters of Credit and Travelers' Checks available throughout the world, and cash Letters of Credit and Travelers' Checks of domestic and foreign banks; open accounts for bankers and merchants throughout the world, and buy and sell drafts and cable transfers on every important city on the globe; buy and sell acceptances; financing exports and imports; exchange foreign money; issue commercial letters of credit to facilitate the importation and exportation of merchandise; cash drafts drawn against commercial letters of credit; advise upon foreign exchange problems for customers; procure Consular documents; arrange for clearings through United States custom houses, and reshipments of goods; assist in the disposal of goods in case drawee of bill refuses payment; or attend to details of the proper warehousing of the goods; send code cable messages for manufacturers who have no code; provide for interpreters; assist salesmen and travelers during their stay in foreign countries; and in a word, make our service as comprehensive and helpful as possible, in promoting trade relations between American merchants and their foreign customers.

One of the greatest problems encountered in establishing this comprehensive branch bank service has been the difficulty of securing a sufficient number of trained and expert men to give the organization the necessary and desired efficiency. To meet this situation successfully we found it necessary to establish an educational system in the bank for the special training of men for foreign service, in connection with the general educational campaign which is part of the regular work of all the employes of the National



City Bank. It may be interesting to know that out of the total number of our employes approximately 75% attend classes in Political Economy, Commercial Geography, Accountancy, Credits, Foreign Languages, Business English, Arithmetic, Foreign Exchange and Practical Banking. A selected number of graduates from America's leading universities are being trained for this service, and as a result of closer coöperation between the bank and several universities, it is expected an increasing number of selected college men will enter the classes of the bank each year, and that their training may be so scientifically planned and supervised that college credit may be given for their work in these classes. Plans are working out for increased coöperation between college faculties and the officers of the bank. A plan is being developed at this time for educational extension courses between the home bank institution and employes of the branch banks.

With these facilities established on a practical footing you will doubtless agree with me that a valuable service has been created, not only for the study of the problems of foreign commerce, but for the practical transaction of foreign business.

These are useful aids which we seek to render, but obviously they do not in themselves constitute foreign commerce. Upon your combined wisdom and energy, your coöperation and intelligent study of these problems, your initiative, enterprise and practical management, the development of your foreign trade will depend; and upon the results which you and those like you obtain in these fields, the future greatness and commercial supremacy of this country will in time to come largely depend. As a nation we have not hitherto made these things the object of the careful study that

other countries—notably England and Germany—have given them, or that we have given to our own domestic commerce. It has been intermittent, occasional, experimental, and with no well sustained policies of government, scientific study of commercial treaties and tariffs, or sustained effort and coöperation of business organizations. The war brings home to us in this connection the vital need of an adequate Merchant Marine under the American flag and working under laws and conditions which will not place us hopelessly under a disadvantage in competition with foreign nations. In normal times this has not been an insuperable handicap, for the reason that tonnage of all kinds, even though under foreign flags, has been available for the transportation of such foreign export business as we have developed; but for reasons analogous to those which I have shown as illustrating how much a banking system of our own may assist in building up foreign relationships and foreign trade, the auxiliary assistance that might have been rendered to us by the establishment of steamship lines, under American registry, and which has been a large factor in promoting the foreign trade of other countries, as well as a most valuable industry of those countries, has been lost to us with all concomitant advantages; and in times of war, as at the present, our absolute dependence upon ships of foreign registry becomes a distressing condition.

Another great and paramount advantage which notably England and Germany have enjoyed, and which has aided them to the greatest extent in building up their preponderating foreign business has been the willingness of these countries and the practical means at their command, to furnish round amounts of capital, running into billions of dollars for the construction



of public works, railroads, and all manner of public and private utilities, for which those countries required outside capital in continuous and large amounts in their development.

It is perfectly natural that the channels of commerce of debtor nations should flow to creditor nations, extending the credit which they are bound to have. A railroad constructed with English capital will buy its equipment and supplies in England, and an industrial corporation financed by German capital is likely to make its purchases as far as possible in Germany; and the employes on their pay-rolls, as far as practicable, will be from those countries. A debtor country must naturally make its purchases largely in the market of the country where credit may be obtained in some form or other, for the settlement of trade balances; and merchants of foreign countries will very naturally prefer to place their orders in countries where more or less long credits may be obtained rather than to purchase from us, if we sell goods only for cash and hold aloof altogether with respect to investments of capital.

Recognizing this condition as fundamental, the American International Corporation, recently chartered under the laws of New York, with a capitalization of \$50,000,000, marks the National City Bank's second great step in the permanent expansion of American foreign trade. Mr. F. A. Vanderlip, who was the moving spirit in the conception and organization of this company, is Chairman of the Board of Directors. As much publicity has been given to the organization, purposes and objects of this company, on account of its recognized far-reaching importance, I take it for granted that you are familiar with the exceedingly strong interests behind it, and its very able

personnel in the active management and on its board of directors.

The establishment of foreign branches was the first great step, but it was not enough to stop here. Foreign trade is built up on foreign investments. The United States is the one great nation of the world with an abundant supply of liquid capital to make foreign investments, but as a nation we have concerned ourselves even less with foreign investments than with foreign trade, and as a practical proposition, in order to build up an American market of any magnitude, through which the American investment public could be interested in absorbing foreign investments of this character in any volume, a powerful intermediary company of this character became not only necessary but indispensable.

Under the broad provisions of its charter, it is authorized to carry on any kind of business, subject, of course, to the regulations and restrictions provided by the laws of the states and countries in which it operates. It can own and operate, or buy and sell, shipping, railroads, street car lines, lighting and water plants, docks, warehouses, mines, factories and mercantile establishments. It can organize such enterprises, start them and as going concerns offer their securities to the public, or it can hold and operate these companies as subsidiaries and sell its own securities to the public, based upon these properties. New enterprises in foreign countries are now appealing to American capital; existing enterprises are asking to be financed, and under the exigencies created by the war, investments representing well tried and profitable undertakings are coming on the market for sale at prices that will be attractive to new investors.

Among the valuable points that the experience in branch banking has developed is the close relation existing between a successful foreign commerce and foreign financing. Those countries which have contributed capital to the development of other countries have reaped as a result of these financial relations great commercial advantages.

There is at the present time, particularly for us, a fertile field in this direction, and if as a nation we do not embrace these opportunities it will be a most serious obstacle in the extension of our foreign trade.

Having thus superficially discussed some of the economic conditions imposing upon this country the necessity of seeking outside markets, and some of the fundamental and basic considerations applying to foreign trade in general, I have, in response to your request, at the same time outlined to you in general terms the aid which we seek to render through the medium of our branch banks, our foreign trade department, the American International Corporation, and our other facilities and organization in general.

Since the beginning of the war the position of this country looking to international operations has been tremendously strengthened by the return and absorption of American securities held abroad, and by heavy foreign financing—principally Government loans—in our money markets, all these items combined aggregating a huge total, estimated up to January first at something like three billions of dollars, distributed as follows:

Loans to Europe.....	\$805,000,000.
“ Latin America	70,000,000.
“ Canada.....	150,000,000.
<hr/>	
Total.....	\$1,025,000,000.



not including many private loans and other items which have been placed in the United States. These items, with some large additional financing since the first of January, will very considerably swell the above figures. It is estimated we have absorbed in railroad securities alone upwards of \$1,500,000,000, and with other securities and the miscellaneous items mentioned, the above estimate of \$3,000,000,000 is probably not excessive; and before the termination of the war these figures will undoubtedly be further increased.

By reason of its wealth and strong position the United States has been projected into the position of the world's banker for the time being. Although not entirely out of debt to Europe, the indebtedness is fast being wiped out and is negligible compared to the present resources of the country. When the war is over and normal conditions return, there will not be the burden of interest on American securities to be paid to Europe in exports as heretofore. This will have a tendency to curtail European imports from this country, for the crippled nations of Europe cannot afford to import more goods from us than are absolutely necessary for their rehabilitation and actual needs. The necessity will be forced on them to build up and protect their gold supplies, and as those nations are creditor nations, and other countries,—principally the Latin-American Republics,—are heavily indebted to Europe, very strong considerations will obtain for making their purchases of raw materials and supplies as far as possible from South American and other debtor countries—owing them—the more so as those countries produce and export similar raw materials to ourselves. The needs of Europe normally are essentially for raw materials, and her exports essentially manufactured products. South America's exports of

raw materials are to a considerable extent of the same character as ours. It is to be expected that as normal conditions are restored, Europe will put forth every ounce of available energy to create a balance of trade against this country, to drain our gold supply, to restore her manufacturing industries, re-establish her foreign trade, and give us the hardest possible competition in all respects. While relatively poor after the war and suffering from disorganization of commerce and industry and innumerable gaps in the ranks of skilled labor, with currency inflation, heavy taxation, probably a higher wage scale and emigration of its citizens to this and other countries, where conditions of life are more favorable, Europe will have some heavy handicaps.

But, on the other hand, the highly centralized and coördinate organization of industry and business, and the big efficiency attained through superior organization in big phases for the conduct of the war, are very likely to result in important advances in efficiency and economy of production, while European industry is meeting conditions ahead. It has been demonstrated that there can be enormous destruction of wealth without corresponding impairment of the productive capacity of a nation. It will be the organization, productive ability, efficiency and economy of those nations with which we will have to compete, as well as natural trade conditions previously referred to. Our resources and wealth alone will not carry us far enough in the race and our present position will be transitory if we do not take advantage of it to improve in organization, efficiency, economy of production and extension of our trade to the utmost.

The greatest advantage, as I see it, that we can take of our present financial position will be in shifting so

far as possible the indebtedness of debtor nations from Europe to this country, and by international financial operations to put all countries in our debt, so far as practicable and expedient, thereby safeguarding our gold supply,—which is the foundation of the credit we can extend—creating new commerce with all countries and protecting us from the loss of commerce which we now have. Further, it is by running at maximum capacity and with effective organization and coöperation that the percentage of overhead expense is reduced and profits through economy of production realized.

It may not be inappropriate in closing this address to make some casual observations with particular reference to the cotton textile industry.

Cotton manufacturing is a world-wide business, conducted at the present time with more or less efficiency and modern methods in nearly all nations under the sun. It is one of the most ancient forms of industry. We have pretty reliable evidence that cotton was grown in India and manufactured into cloth eight hundred years before Christ. Herodotus, the father of history, refers to it in his writings 484 B. C. Theophrastus wrote about it three centuries before Christ. Persia very early had cottons and calicoes imported from India. In the Book of Esther reference is made to “white, green and blue hangings” at the feasts which King Ahasuerus gave 519 B. C. These were striped cottons, and this confirms the statement that dyeing is one of the oldest industries we have. Tents, sail cloth, awnings, fancy coverlets, clothing and other manufactures of cotton were in use among the early Greeks and Romans. Columbus, on his voyage of discovery in 1492, touched at the Bahamas, where he was met by natives in canoes, offering cotton yarn and thread for



barter. In Cuba he was surprised to find hammocks made from cotton cord in very general use.

What Columbus observed in the West Indies was found afterward to be by no means confined to these islands, but in Central and South America the natives were accustomed both to the growth and manufacture of cotton. When Peru was subjugated in 1522 by Pizarro, the manufacture of cotton was in a flourishing condition. Similarly, when Mexico fell into the hands of Cortez in 1519, he was delighted with the quality and beauty of their cotton manufactures. Vasco da Gama, on his voyage to India in 1516 touched at South Africa and found the natives wearing garments of cotton. It is an ancient industry in Brazil, Egypt and other countries.

Notwithstanding the age of the industry and the universal experience of mankind with it from remote antiquity, the great manufacturing center of cotton is not in any of the countries that produce it, nor in the countries where labor is the cheapest. Of a total of 144,980,000 spindles in 1914, 56,000,000 or more than one-third, are British. About 90% of all the cotton spindles and looms in Great Britain are located in Lancashire, having an area of only  $1\frac{1}{2}$  times that of Rhode Island.

Mr. Melvin Thomas Copeland, Instructor in Commercial Organization in Harvard University, in his elaborate and valuable treatise on The Cotton Manufacturing Industry, discusses in a very interesting and thorough manner the relative labor conditions, and all other essential factors entering into the production and distribution, in the various countries engaged in the manufacture of cotton textiles. The result of his in-

vestigations into the labor scales of various countries is summarized as follows:

"Definite conclusions as to the exact difference in labor cost between the several countries cannot be drawn. One thing is certain, however; the earnings of American cotton mill operatives more closely approximate those received in England than we have commonly been led to suppose.

"And when the output per operative is taken into account, it appears very doubtful if the labor cost on ordinary goods is appreciably higher in our own country. The difference in the preparatory and spinning process is slight, and in weaving the advantage is in favor of the Americans. The Germans may excel in the production of the cheaper novelties, and the French in certain fancy goods, but England is still the great exporter of cotton fabrics, although her work people obtain higher earnings. Similarly, the high American wages do not necessarily denote a handicap. The cheapest labor may be the dearest. At all events, I have no hesitation in asserting that higher wages are one of the least of the obstacles which stand in the way of American cotton manufacturers in international competition."

Admittedly, however, the labor scale is higher in England and the United States than in any other countries, notwithstanding which their combined cotton spindles in operation number 88,000,000 against the total of 144,000,000 in operation in the world.

Great advancement has been made in the United States in the last fifteen years, and in a recent extremely interesting article by Mr. Herbert E. Walmsley, who may be considered high authority, he refers to the advantages of Lancashire in cheap fuel, climate, building materials, economy of machinery installation, and abundant trained labor, as the principal advantages of

the Lancashire district. In the same article he expresses himself as follows:

"Some years ago the writer stated in a paper read before the New England Cotton Manufacturers' Association, that our manufacturers should turn their attention to a more extensive production of the finer and higher grades of cotton goods. First, on account of the increased and increasing production of the coarser grades by the Southern mills; and second, in view of the fact that so many million dollars' worth of fine goods were annually imported into this country from over the water.

"Since this statement was made the cotton manufacturing industry of the United States, both North and South, has increased enormously, until it may now be said without fear of contradiction that our mills are capable of producing goods which compare favorably with the goods of foreign make for quality, tastefulness of weave, and finish.

"Our leading fine spinning mills likewise now produce superior high grade fine yarns, fully equal to the product of either England or France.

"We know of no reason why our mills cannot turn out any and every kind of cotton goods equal in quality, fineness and finish to the best and most artistic work of the spindles and looms of either England or Continental Europe, unless it be the labor cost, which is such an important item in the cost of manufacturing, more especially when we come to the manufacture of the finer yarns and the finer and more elaborate styles of goods, in the making of which quality and perfection, not quantity and imperfection, must ever be kept in mind."

There is no doubt that under the present war conditions exceptionally favorable opportunities exist for the extension of your foreign trade. The greatest handicap for the time being is the congested shipping situation. The South American field to which we have



been giving special attention, is in a very receptive condition and is calling for American goods on a much larger scale than ever before. The predicate has been laid, as I have shown, in various important respects, for building up permanent business.

You will have to study what your foreign trade calls for and furnish them the goods they want, made up according to their tastes and requirements, humoring the idiosyncrasies of their trade, rather than forcing upon them our ideas and goods which they do not want. In a word, you will have to study them as Europe has studied them. You must cultivate personal friendships; you must give liberal credit terms; you must be prompt and reliable in filling orders and making deliveries; you must meet competition. You must make it to their advantage to do business with us and you must go at it in a way indicating permanency and sustained effort. It is probable this may be best accomplished by coöperation through a common selling agency, or something of that kind, to minimize expense and obviate unnecessary competition between our merchants and manufacturers, in prices and terms. Difficulties will be encountered, but not incapable of solution. A study of the history of your industry reveals a continuous record of conditions of the most difficult character met and overcome; a record of success through brains, ability and ingenuity of methods. You need now to develop your foreign trade. You will surely find the means to accomplish it.





